

## RESTRICTED USE TRANSIENT OCCUPANCY TAX

**Background:** Loudoun County levies a Transient Occupancy Tax (TOT) on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms rented out for continuous occupancy for fewer than thirty consecutive days. The customers of these establishments, such as traveling businesspersons and vacationers pay for this tax, which is 5% of the lodging bill. The funds are collected by these establishments as customers pay their lodging bills and are remitted to the County on a quarterly basis. Of the revenue generated by the tax rate, 2% is unrestricted and is part of the General Fund, while 3% is restricted to be used only for promoting tourism, travel, or business that generates tourism or travel in the County. The graphic on the following page highlights the allocation of TOT revenues.

The restricted TOT revenue is accounted for as follows, based on the Board of Supervisors' adopted Restricted Transient Occupancy Tax Policy:

- 75% goes into the **Grants Fund** and is used for distributions to tax-exempt community groups during the TOT application, review, and allocation process. This annual process determines the amount approved for each applicant's project.
- 25% goes into the **Tourism Opportunity Fund (TOF)**, which is used to fund eligible County Government Department projects. At the Board's discretion, the TOF is used to fund emergency funding requests approved during the fiscal year, if funds are available.

The Board of Supervisors' adopted TOT policy establishes the criteria for approving distributions of restricted TOT funds to tax-exempt organizations and to County Government departments. The tax-exempt organizations' applications for TOT funding go through a comprehensive review process, which includes the following schedule for the FY 06 TOT application, review, and allocation process for tax-exempt community organizations:

- **September 2004:** Loudoun Convention & Visitors Association's TOT application was due for the FY 2006 TOT Process.
- **Early October 2004:** TOT applications were due from tax-exempt community organizations for the FY 2006 TOT Process.
- **November 2004:** The Loudoun Convention and Visitors Association (LCVA) completed its review of all TOT requests received from tax-exempt community groups for FY 2006. The LCVA forwarded its recommendations to the Economic Development Commission (EDC) for review.
- **December/January 2005:** The EDC's Marketing & Business Retention Committee completes its review and presents its funding recommendations to the EDC's Executive Committee for review. The full EDC receives the Executive Committee's recommendations and votes on its own recommendations in early February 2005.
- **February 2005:** The EDC presents its TOT funding recommendations to the County's Economic Development Committee.
- **March 2005:** The Economic Development Committee presents its TOT funding recommendations to the full Board of Supervisors at one of the FY 2006 Budget Worksessions. The Board makes its final TOT funding decisions, which will become part of the FY 2006 Adopted Budget.

County Government requests are reviewed as part of the budget process. Departments submit an application for each project to the Budget Office. The County Administrator recommends funding levels for these requests in the Adopted Budget.

	<b>FY 06 PROPOSED</b>
<b><u>Restricted TOT Revenue Collections (3%):</u></b>	
Projected Beginning Fund Balance Available	\$46,256
Restricted Transient Occupancy Tax Revenue	<u>\$1,815,732</u>
 Total Restricted TOT Resources Available	 \$1,861,988
<b><u>Uses of Restricted TOT Revenue:</u></b>	
Tourism Opportunity Fund Distributions*	\$177,807
Grants Fund Distributions*	<u>\$0</u>
 Total Restricted TOT Uses*	 \$177,807
 Available TOT Balance projected*	 \$1,684,181

\*At its January, 2005 meeting, the County's Economic Development Committee deferred accepting the EDC's recommendations until the February 2005 meeting. The only items presented at this time for funding are the County's Administrator's Recommendations for the County Government which total \$177,807. These requests continue the special events coordinator position in Fire & Rescue, the Agri-tourism program in Economic Development and two softball tournaments in Parks, Recreation & Community Services.

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### FY 06 Projected Transient Occupancy Tax Revenue - Unrestricted Portion, Restricted TOT Grants Portion, and Restricted TOT Tourism Opportunity Fund Portion

